

Message Text

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THE FOLLOWING PROVIDES PART TWO ASSESSMENTS OF UN AGENCY PROGRAMS
IN EGYPT.

A. IBRD DRAINAGE PROJECT:

1. THE COMPLETION OF THE ASWAN DAM HAS ENABLED NEARLY ALL FARMERS
TO IRRIGATE THEIR LANDS THROUGHOUT THE YEAR USING WATER BROUGHT IN
THROUGH AN EXTENSIVE SYSTEM OF CANALS IRRIGATING SOME 6,000,000
ACRES OF LAND. HOWEVER, THE ABSENCE OF ADEQUATE DRAINAGE FACILITIES
TO COMPLEMENT THE INCREASED USE OF IRRIGATION WATER HAS RESULTED IN
A GRADUAL BUILDUP OF THE GROUND WATER LEVEL TO THE POINT THAT WATER
LOGGING HAS BECOME A PROBLEM IN WIDE AREAS RESULTING IN SEVERAL
THOUSANDS OF AGRICULTURAL LAND ALREADY TAKEN OUT OF PRODUCTION.
THE GOVERNMENT'S PLANS ARE TO INSTALL FIELD DRAINAGE FOR A TOTAL
AREA OF ABOUT 5.0 MILLION ACRES BY THE YEAR 1990.

2. FUNDS PROVIDED BY THE IBRD UNDER FOUR AGREEMENTS ARE TO FINANCE
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EQUIPMENT, CONSTRUCTION, RENOVATION, MANUFACTURING AND INSTALLATION
OF DRAINAGE PIPES FOR ABOUT 2.9 MILLION ACRES OF AGRICULTURAL LAND.
A UNIQUE FEATURE OF THE PROGRAM IS THE PLANNED HEALTH LINKAGES
PROVIDING FOR BILHARZIA CONTROL IN THE PROJECT AREAS.

3. THE JOINT GOE/IBRD DRAINAGE PROGRAM WAS INITIATED IN 1970
AND A TOTAL OF \$180.0 MILLION HAS BEEN PROVIDED BY THE IBRD UNDER

FOUR SEPARATE AGREEMENTS. THE LATEST TWO PROJECTS HAVE BECOME MULTI-DONOR EFFORTS INVOLVING THE USAID AND THE FEDERAL REPUBLIC OF GERMANY (FRG). THE INITIAL IBRD PROGRAM PROVIDED FOR UTILIZATION OF CEMENT FOR DRAINAGE PIPE, WHICH IS A COMMODITY IN SHORT SUPPLY AND COMPETES WITH OTHER PRIORITY DEMANDS. THE EARLIER PROJECTS ALSO FACED A NUMBER OF OTHER PROBLEMS INCLUDING A LACK OF LOCAL CURRENCIES, SHORTAGES OF ENGINEERS AND POOR PERFORMANCE OF LOCAL CONTRACTORS. AS A RESULT OF THIS EXPERIENCE, THE GOVERNMENT AND THE IBRD REASSESSED THE PROGRAM COMPONENTS AND TOOK STEPS TO INTRODUCE NEW TECHNOLOGY AND PROVIDE TRAINING FOR LONG TERM OPERATIONS. IMPORTANT NEW FEATURES OF THE PROGRAM IS THE UTILIZATION OF LOW COST PVC PIPE TO BE MANUFACTURED LOCALLY AND DEVELOPMENT OF WORKSHOP AND LABORATORY FACILITIES FOR CONTINUAL IMPROVEMENT AND MAINTENANCE.

4. THE IBRD PROJECT HAS HAD SIGNIFICANT EFFECT IN BUILDING AN INSTITUTIONAL CAPABILITY, NOT WITHSTANDING EARLIER PROBLEMS, TO CONTINUE OPERATION IN SUCCESSIVE YEARS. SINCE MID-1975 PROGRAM TARGETS ARE BEING MET AND THE GOVERNMENT HAS BEEN SUCCESSFUL IN BRINGING IN OTHER DONORS. USAID LOANS IN 1976 PROVIDED \$31.0 MILLION AND THE FRG HAS COMMITTED \$25.0 MILLION EQUIVALENT. TRAINING AND THE ADDITION OF NEW PLANT FACILITIES FOR THE IN-COUNTRY PRODUCTION OF CORRUGATED PVC DRAINAGE PIPE WILL ALLOW THE GOVERNMENT TO CONTINUE NEW INSTALLATION BEYOND THE IBRD-USAID-FRG PROJECT ASSISTANCE PERIOD USING INTERNALLY MANUFACTURED MATERIAL AT A LOWER COST THAN THE CEMENT USED ORIGINALLY.

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- THE JOINT DONOR PROGRAMS WILL DIRECTLY EFFECT 50 OF ALL FARM AREAS BENEFITTING A LARGE NUMBER OF SMALL FARMERS WHOSE LAND HOLDINGS ARE BEING AFFECTED. PROPER DRAINAGE AND BETTER IRRIGATION PRACTICES SHOULD IN COMBINATION PREVENT FURTHER SALINATION, REDUCE ITS EFFECTS IN ALREADY AFFECTED AREAS AND CORRECT THE WATERLOGGING PROBLEMS WHICH AFFECTS FARM PRODUCTION. THE PROGRAM WILL FURTHER PROVIDE HEALTH BENEFITS THROUGH AN INTEGRATED BILHARZIA CONTROL PROGRAM. UNDER THE PROGRAM, HEALTH EDUCATION AND MOLLUSCIDING IS CARRIED ON SINCE IT IS ESTIMATED THAT OVER 60 OF THE FARM POPULATION SUFFERS FROM THE DISEASE. THE NET RESULT SHOULD BE INCREASED AGRICULTURE PRODUCTION AND INCREASED MAN-DAYS OF WORK THROUGH REDUCTION IN ILLNESS.

- USAID ANALYSIS OF THE IBRD PROGRAM INDICATES THAT THE PROJECT WAS APPROPRIATELY DESIGNED AND CONSIDERED IMPORTANT SOCIAL ASPECTS WITHIN THE DESIGN. THE INITIAL WEAKNESS IN TECHNICAL DESIGN, LOCAL CURRENCY SUPPORT, ORGANIZATION AND STAFFING WERE OVERCOME AND CORRECTIONS WERE MADE. THE IBRD IS STRENGTHENING THE GOE ORGANIZATION AND IMPROVING THE TECHNICAL FEATURES FOR THE PROGRAM, HAS ENCOURAGED OTHER DONORS IN PROVIDING MAJOR RESOURCES. IT IS EXPECTED THAT OTHER TECHNICAL ASSISTANCE BEING PROVIDED BY THE

COORDINATED DONORS WILL GIVE THE GOVERNMENT THE ORGANIZATIONAL CAPACITY TO MAINTAIN THE PROGRAM AND EXPAND THE DRAINAGE TO NEW AREAS.

B. IBRD - INTERMEDIATE CREDIT INSTITUTIONS

1. THE FIRST GOVERNMENT INDUSTRIAL DEVELOPMENT BANK WAS ESTABLISHED IN THE EARLY 1950'S TO PROVIDE PRIVATE SECTOR CREDIT. UNFORTUNATELY, BECAUSE OF LACK OF RESOURCES AND INSTITUTIONAL SUPPORT FROM THE GOVERNMENT TO SUPPORT PRIVATE SECTOR EXPANSION THE INSTITUTION'S RESPONSIBILITIES WERE TRANSFERRED TO THE GOVERNMENT OWNED BANK OF ALEXANDRIA, A COMMERCIAL BANK WHICH ATTEMPTED TO PROVIDE A SERVICE WINDOW FOR DEVELOPMENT CREDIT NEEDS OF SMALL AND MEDIUM SIZE BORROWERS

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PARTICULARLY IN THE PRIVATE SECTOR.

- IN MID 1976 THE GOVERNMENT UNDERTOOK A MAJOR REORGANIZATION SEPARATING THE INDUSTRIAL DEVELOPMENT CREDIT FROM THE COMMERCIAL BANKING RESPONSIBILITIES OF THE BANK OF ALEXANDRIA. THE NEW INTERMEDIATE CREDIT INSTITUTION WAS ESTABLISHED AS THE DEVELOPMENT INDUSTRIAL BANK (DIB) WITH IBRD CREDITS (\$15.0 MILLION IN 1973 AND \$25.0 MILLION IN 1975) TRANSFERRED FROM THE BANK OF ALEXANDRIA ALONG WITH EQUIPMENT AND PERSONNEL TO ESTABLISH THE BANK.

- THE ESTABLISHMENT OF A SEPARATE CREDIT INSTITUTION WAS STRONGLY SUPPORTED BY THE IBRD IN ORDER TO PROVIDE TERM CREDIT FOR THE PRIVATE SECTOR. IT WAS RECOGNIZED THAT THESE LOANS HAD TO BE ANALYZED AND APPROVED UNDER DIFFERENT CRITERIA NOT USUAL FOR A COMMERCIAL BANK.

2. THE IBRD SETS AS ITS OBJECTIVE THE ESTABLISHMENT OF AN INDEPENDENT INSTITUTION FOR LENDING TO SMALL AND MEDIUM SIZE BORROWERS PRIMARILY

IN THE PRIVATE SECTOR. AN ANALYSIS OF CREDITS OVER THE FIRST 10 MONTHS OF OPERATION, JANUARY-OCTOBER 1977, SHOWS THAT 97 OF THE SHORT, MEDIUM AND LONG TERM LOANS WERE TO THE PRIVATE SECTOR. THE SECTORAL DISTRIBUTION OF LOANS RANGES FROM TOURISM TO FOOD PROCESSING WITH THE MAJORITY OF LOANS FOR WORKING CAPITAL (52) FOLLOWED BY NEW INDUSTRY (34) AND EXPANSION/MODERNIZATION (14).

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3. THE IBRD PROJECT DOES NOT ATTEMPT TO SET CONDITIONS FOR SUB-LENDING EXCEPT THAT CREDITS SHOULD BE PRIMARILY TO THE PRIVATE SECTOR. THE TERMS OF REFERENCE OF THE DIB AND SUPPORTING CREDITS FROM IBRD ARE FOR INDUSTRIAL EXPANSION AND INSTITUTIONAL BUILDING.

- FROM THE CLASSIFICATION OF LOANS APPROVED DURING THE 10 MONTHS ANALYZED THERE IS A BASIS FOR ASSUMING THAT THERE HAS BEEN EMPLOYMENT GENERATION IN THE VARIOUS INDUSTRIAL AND SERVICE SECTORS. OTHER BENEFITS WILL ACCRUE TO THE GENERAL BUSINESS COMMUNITY THROUGH EXPECTED SPIN-OFF SMALL BUSINESSES THAT INEVITABLY FORM TO SUPPORT LARGER PLANT AND SERVICE EXPANSIONS, ALSO PROVIDING NEW JOB OPPORTUNITIES AND A GREATER AMOUNT OF GOODS AND SERVICES.

4. THE IBRD PROJECT HAS ESTABLISHED A NEW, VIABLE INSTITUTION ON EGYPT FOR TERM LENDING. PRIOR TO THE ESTABLISHMENT OF THE DEVELOPMENT BANK, THERE WAS NO INSTITUTION IN EGYPT WITH ITS PRIMARY FUNCTION TO PROVIDE LONG-TERM LOANS USING DEVELOPMENT OBJECTIVES AS ITS PRIMARY CRITERIA.

- ON THE BASIS OF IBRD ASSISTANCE IN ESTABLISHING THE BANK AND THE OBVIOUS NEED FOR SUCH A CREDIT INSTITUTION OTHER DONORS HAVE BECOME INVOLVED: USAID \$32.0 MILLION; OPEC FUND \$8.75; AND AFRICAN DEVELOPMENT FUND \$6.0 MILLION. THE IBRD IS NOW PREPARING FOR A THIRD LOAN OF \$40.0 MILLION AND AID IS CONSIDERING A SECOND LOAN OF \$25.0 MILLION IN FY 78 AND AN ADDITIONAL AMOUNT IN FY 79.

- THE SUCCESS OF THE IBRD PROGRAM IS THAT THE INITIAL CREDITS PROVIDED HAVE ALLOWED FOR THE ESTABLISHMENT OF THE PRINCIPAL TERM LENDING INSTITUTION IN EGYPT WHICH REMAINS THE CHIEF MEANS OF FINANCIAL SUPPORT FOR DEVELOPMENT OF THE PRIVATE SECTOR. THE IBRD HAS BEEN THE PRINCIPAL COORDINATOR OF OTHER DONOR INVOLVEMENT. EXCHANGE OF INFORMATION AND OPINIONS HAS RESULTED IN IMPROVED PROJECT EFFECTIVENESS WHICH SHOULD FURTHER IMPROVE THE

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EFFECTIVENESS OF THE DIB.

C. IBRD - ALEXANDRIA WATER SUPPLY PROJECT

1. IN EARLY 1976 AID WAS REQUESTED BY THE ALEXANDRIA WATER AUTHORITY (AWGA) TO ASSIST IN PREPARING A MASTER PLAN FOR THE PHASED DEVELOPMENT OF THE ALEXANDRIA WATER SYSTEM THROUGH THE YEAR 2000. IN PREPARATION FOR THE AID CONTRACT (WHICH WAS ACTUALLY LET IN EARLY 1977 AND IS SCHEDULED FOR COMPLETION IN MID 1978) THE PROSPECTIVE CONTRACTOR, CAMP DRESSER AND MCKEE REVIEWED EXISTING PLANS INCLUDING A 1975 FEASIBILITY STUDY CONDUCTED BY THE AWGA. THEIR PRELIMINARY JUDGMENT WAS THAT THE AWGA STUDY HAD SERIOUS DEFICIENCIES.

2. IN MARCH 1976 THE IBRD ENTERED INTO DISCUSSIONS WITH AWGA FOR THE FINANCING OF AN EXPANDED WATER SYSTEM IN ALEXANDRIA FOR A TOTAL OF \$56.0 MILLION. THE PROPOSED LOAN WAS BASED ON THE EARLIER STUDY BY AWGA. THE LOAN WAS TO PROVIDE FOR FINANCING THE CONSTRUCTION OF TREATMENT FACILITIES, INSTALLATION OF TRUNK MAINS AND BOOSTER STATIONS, RENEWAL OF OPERATIONAL EQUIPMENT, PURCHASE OF WATER BARGES, VEHICLES AND WATER METERS.

3. THE PROPOSED LOAN APPEARED TO BE AT VARIANCE WITH SOME OF THE EARLY FINDINGS OF THE AID CONTRACTOR. SPECIFICALLY AT ISSUE WAS THE NEED FOR NEW WATER FACILITIES AS OPPOSED TO LOWER COST RENOVATION OF EXISTING FACILITIES. A RELATED CONSIDERATION WAS THE PRIORITY OF THE PROPOSED IBRD ACTIVITIES VIS-A-VIS OTHER IDENTIFIED REQUIREMENTS OF THE ALEXANDRIA WATER SYSTEM. UPON LEARNING OF THE PROPOSED LOAN, AID RAISED THESE ISSUES WITH THE GOE. THE GOE SUGGESTED THAT THE IBRD LOAN PROCEED WITH NEEDED EQUIPMENT BUT THAT MAJOR INVESTMENTS AWAIT THE COMPLETION OF THE AID STUDY. DESPITE THIS THE FINAL IBRD LOAN PAPER PRESENTED IN

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FEBRUARY 1977 INCLUDED THE NEW WATER TREATMENT FACILITIES.

4. THE INITIAL GOE POSITION WAS TO CANCEL THE PROJECT AND USE THE IBRD FUNDING FOR OTHER PURPOSES. IBRD ADVISED THE GOE, HOWEVER, THAT IT WOULD NOT BE POSSIBLE TO SHIFT FUNDS. RELUCTANTLY THE GOE AGREED TO PROCEED WITH THE LOAN. SOME MINOR MODIFICATIONS WERE MADE AT THAT TIME IN PARTS OF THE PLAN WHICH WERE IN CLEAR CONFLICT WITH THE AID FINANCIAL MASTER STUDY.

5. AS THE IBRD PROJECT IS STILL IN THE PLANNING STAGES AND THE AID FINANCED MASTER PLAN SHOULD BE COMPLETED BEFORE MAJOR IBRD ACTIVITY BEGINS, SOME ADDITIONAL PROJECT MODIFICATIONS ARE STILL POSSIBLE. THE NEW TREATMENT FACILITIES AT THIS TIME, HOWEVER, REMAIN AN INTEGRAL PART OF THE LOAN DESPITE STRONG EVIDENCE THAT LESS COSTLY RENOVATION OF EXISTING FACILITIES WOULD BE MORE APPROPRIATE. AS A RESULT, THE AID CONTRACTOR HAS BEEN ASKED TO REVISE THE MASTER PLAN TO INCLUDE THE NEW FACILITIES AS A GIVEN.

6. THE PRECEDING REPRESENTS A CLEAR CASE OF INADEQUATE DONOR COORDINATION. IN PART THE PROBLEM CAN BE TRACED TO THE LACK OF A RESIDENT IBRD PRESENCE IN EGYPT AND THE USE INSTEAD OF RELATIVELY SHORT TERM TEAM EFFORTS WHICH MAKE EFFECTIVE COORDINATION MORE DIFFICULT.

7. APART FROM THE APPROPRIATENESS OF MAJOR ELEMENTS OF THE LOAN OTHER NEGATIVE ASPECTS OF THE PROJECT ARE APPARENT AS WELL.
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TECHNICAL ASSISTANCE TO AWGA, WHICH IN OUR JUDGMENT SHOULD HAVE BEEN AN INTEGRAL PART OF THE LOAN, WAS NOT PROVIDED FOR. ENVIRONMENTAL AND SOCIAL IMPACT OF THE PROJECT ALSO WAS NOT CONSIDERED. IN SUMMARY DEVELOPMENT, PLANNING AND COORDINATION OF THE IBRD PROJECT HAS BEEN GENERALLY POOR. WHILE IT IS TOO EARLY TO PREDICT PROJECT FAILURE IT IS LIKELY THAT RESULTS WILL BE MORE COSTLY AND LESS APPROPRIATE TO NEEDS THAN OTHERWISE MIGHT HAVE BEEN THE CASE. EILTS

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